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Why do some apply for the Swiss OASI (Old Age and Survivor's Insurance) AHV before reaching the regular pension age?

It is common practise in Switzerland that somewhere around the age of 60 your bank and or your life insurance provider will approach you to plan your financial needs and requirements for the time after the age of 65 taking all assets, mortgages, insurances, pensions and any other relevant factors into account.

One point that will come up is the OASI (AHV) and at what age you might consider applying for it. As mentioned in previous articles, the OASI can be requested up to 2 years prior to the normal pension age with a deduction of either 6.8% or 13.6% per annum.

Why this question?

Well, depending on your personal health, medical history or family medical history, people might have different life expectancies Taking all of these factors into consideration, some people opt to take the OASI as soon as it is legally possible.

Mathematically calculated, taking the OASI ahead of the official pension age has some financial benefits as you will receive all in all more money paid out as a whole sum up to the age of around 79. If you pass away after that age of 79, mathematically calculated, you would have been better off by applying for the OASI at the age of 65.

Example:

For calculation purposes I have made the following assumptions: A person was to receive around CHF 2'000 per month.

Applying for the OASI pension at 65 and accumulated until the age of 79 the person would receive CHF 24'000 per year multiplied by 14 years gives a total sum of CHF 336'000

Applying for the OASI pension at 63 and accumulated until the age of 79 the person, with the reduced value (-13.6%), would receive CHF 20'736 per year multiplied by 16 years gives a total sum of CHF 331'776

As mentioned above and shown by the calculations, the advantage of receiving it earlier is neutralised or equalised somewhere around the age of 79 years.

I would like to clearly emphasise that this is a purely informative article and that every person needs to look in detail at his or her personal situation, as no case is the same as the other. There are so many factors to be taken into consideration if one intends to take the OASI in advance such as: the eligible OASI amount due, family situation, financial situation in general, just to mention a few.

Please note the following:

The Swiss OASI is not automatically paid out when reaching the age of 65. You need to apply for your OASI. It is recommended to apply about 5-6 months in advance. There are several forms to be filled out with documentation to be submitted to the OASI office in Geneva. All information and list of documents required are available and listed online. If you do not apply you will not receive any OASI. The OASI Office in Geneva will not send you a prior notification for eligibility.

Peter Ehrler
Elected Member of the Swiss Abroad
Representing New Zealand

Is Section 70 Wall cracking?

As you know Section 70 is a standing issue, but things are slowly moving. We have not reached our ultimate goal.

What has been achieved up to now:

- Voluntary contributions to overseas government pension schemes (such as contributions to the so called "voluntary OASI scheme" / "freiwillige AHV" / AVS facultative) are no longer deducted from the superannuation by the New Zealand authorities, following a decision by the Social Security Appeal Authority on an appeal from a Swiss resident in New Zealand back in 2005 This ruling came into effect in 2015.

- From 1. July 2020:
If your partner gets an overseas pension your NZ Super or Veteran's Pension won't be affected if your partner's getting an overseas pension. (Change came with NZ Budget 2019).

The goal to abolish Section 70 completely has not been achieved yet. However, I am convinced that one day it will fall. We are working on it "Work in Progress"

My Personal Notes:
The 2020 Elections are going to be very interesting. NZF (Winston Peters) and Labour (Jasinda Ardern) have prior to the election in 2017 and while in opposition, clearly stated that Section 70 has to be abolished. They still have 17 Months to deliver, otherwise some voters will make themselves noticed when voting in 2020 and they know it

Let me also point out that the crunch in terms of abolishing Section 70 will acome in 2022 at the latest when Chinese state pensions, born like the Swiss pension and other pension schemes, out of Social insurance by both enterprises and workers and which have escaped Section 70 for political reasons will become subject to Section 70. The political reasons being the Free Trade Agreement with China. When NZ signed the Free Trade Agreement, the Chinese demanded that their citizens are to be excluded from Section 70. This clause was integrated in the Free Trade Agreement and will expire in 2022. Chinese politicians in New Zealand both National and Labour will surely not accept this mistreatment. They will certainly be confronted and put under pressure by their citizens in New Zealand and probably from the Chinese Government as well.

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